ANNUAL REPORT 1974

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CANRON LIMITED

Annual Meeting:
The fifty-ninth annual meeting of shareholders will be held in Salon Viger, Château Champlain Hotel, Montreal, Quebec, on Wednesday, April 23, 1975, at 11:00 a.m.

Head Office:
1 Place Ville Marie,
Montreal, Quebec.
H3B 2A8

Stock Listings:
Montreal, Toronto and Vancouver Stock Exchanges.

Transfer Agent:
Montreal Trust Company,
Montreal, Toronto, Halifax, Winnipeg, Regina, Calgary, Vancouver.

Registrar:
The Royal Trust Company,
Montreal, Toronto, Halifax, Winnipeg, Regina, Calgary, Vancouver.

Si vous préférez recevoir ce rapport annuel en français, prière d'en aviser le secrétaire de Canron Limitée, 1 Place Ville Marie, Montréal, Québec, H3B 2A8

Highlights

(in thousands of dollars—except per share statistics)

The two words—RECORD HIGHS, characterize the company's 1974 operating results—sales, profits and orders booked. They also apply to plant utilization, capital expenditures, working capital, debt, number of employees, and numerous other facets of the company's business.

		1974	1973	Increase
Sales		**$325,718**	$223,857	45.5%
Earnings (before extraordinary)		**$ 11,212**	$ 6,545	71.3%
Net Earnings		**$ 10,322**	$ 6,545	57.7%
Capital Expenditures		**$ 10,870**	$ 6,306	72.4%
Depreciation		**$ 5,640**	$ 4,838	16.6%
Working Capital		**$ 46,869**	$ 25,035	87.2%
Bank Advances and Long-Term Debt		**$ 85,653**	$ 56,122	52.6%
Shareholders' Equity		**$ 58,677**	$ 47,539	23.4%
Earnings (before extraordinary) per Common Share		**$ 4.39**	$ 2.60	68.8%
Net Earnings per Common Share		**$ 4.03**	$ 2.60	55.0%
Dividends Paid per Common Share		**$ 1.20**	$ 1.00	20.0%
Book Value per Common Share		**$ 21.15**	$ 18.43	14.8%
Earnings (before extraordinary) as % of Sales		**3.4%**	2.9%	17.2%
Net Earnings as % of Common Shareholders' Equity		**19.1%**	14.1%	35.5%
Quarterly Sales	First	**$ 57,140**	$ 42,503	34.4%
	Second	**$ 73,868**	$ 55,610	32.8%
	Third	**$ 82,243**	$ 54,718	50.3%
	Fourth	**$112,467**	$ 71,026	58.3%
Quarterly Earnings per Common Share	First	**$ .71**	$ .07	914.3%
	Second	**$ .95**	$ .65	46.2%
	Third	**$ 1.05**	$ .72	45.8%
	Fourth	**$ 1.32**	$ 1.16	13.8%

Directors' Report to the Shareholders

C.S. Malone, President and Chief Operating Officer, and H.J. Lang, Chairman of the Board and Chief Executive Officer.

The company's results for 1974 reflect the best performance in its 59-year history with sales volume and net earnings setting new records. These favourable results were obtained in spite of material shortages and escalating manufacturing costs. At the same time an unprecedented rate of inflation created the need for substantially higher amounts of working capital. Thus it is particularly appropriate at the outset of this report to extend appreciation to all employees for their outstanding efforts in successfully foreseeing and adapting to challenging circumstances.

Sales of $326 million were up 46% over last year to achieve a growth greater than in any previous period. Sales from Canadian operations increased 52% compared to an average increase of 28% for the company's operations outside Canada. New business totalled $447 million, exceeding shipments by $121 million. The backlog at year end was $217 million with 75% scheduled for completion in 1975.

Earnings from operations at $11 million were also at an all-time high and 71% greater than the previous year. Net income per common share before an extraordinary item was $4.39 compared with $2.60 in 1973. A net extraordinary loss equal to 36 cents per share was incurred as a

result of the sale of surplus facilities at a profit and the sale of the Electrical Division, which had suffered operating losses for several years, at less than book value. The earnings at 3.4% of sales, although still below our target, has improved for the fourth consecutive year. The return on shareholders' equity, aided in large part by the leverage of a relatively high debt structure, was 19.1%.

With the rise in the cost of living, reduced purchasing power of current dollars, and the upward trend of the company's earnings in recent years, it was felt that the shareholders were entitled to a higher yield on their investment. Accordingly, the common share quarterly dividend rate was increased from 25 cents to 30 cents per share effective with the October dividend payment, and an extra 15 cents was also paid in 1974 to bring the total distribution for the year to \$1.20 per share. This compares with the previous annual dividend of \$1.00 which has been paid regularly since 1966. The dividend payout ratio over the last ten years including 1974 has amounted to 49% of earnings.

Capital expenditures, including acquisitions, reached a new high of \$12.4 million. Additional production capacity was provided for plastic and concrete pipe, steel fabrication and railway track maintenance equipment. It is estimated that the same level of expenditures will be made in 1975.

The strong market conditions and the inflationary spiral proved to be far greater than anticipated when \$21 million of long-term debt and preferred stock financing was arranged in the second quarter of the year. Accordingly, bank lines of credit were increased so that additional short-term borrowings could be utilized to maintain adequate working capital.

Inflation was also the principal reason for difficult labour contract negotiations, resulting in two strikes and a number of walkouts of short duration. The company was sympathetic to the cost of living pressures on its employees and several voluntary non-contractual wage adjustments were made.

The projected slump in housing starts during the first half of 1975 will likely result in some fall-off in sales of ductile iron and plastic pipe. However, it is expected that there will be continuing active demand for reinforced concrete pipe for large water distribution systems as well as iron and plastic pipe for industrial applications. Areas of strength, apparent at this time, include foundry products, railway track maintenance equipment, structural steel, pulp and paper and steel mill equipment, and the wide range of products handled by our distribution division.

The company may also benefit from some moderation in price increases and the easing of availability of raw materials, thus facilitating a reduction in inventories, and improved deliveries of purchased components used in machinery assemblies. Other positive factors are elimination of the persistent losses by the Electrical Division and probable lower interest rates on short-term borrowings. Because of the diversity of our businesses and expectations of continued heavy business capital spending, Canron is in a somewhat unique position compared to the less buoyant industrial sectors of the Canadian and international economies. In assessing the outlook for 1975, the comfortable opening backlog lends confidence to the view that the upward trend which commenced in late 1972 will be sustained.

On behalf of the Board,

H. J. Lang

Chairman and Chief
Executive Officer

P. V. Malone

President and Chief
Operating Officer

Montreal, Que., March 28, 1975

W.S. Cullens, Group Vice-President, Structural and Mechanical.

Structural and Mechanical Group

Eastern Structural Division, with operations in Toronto and Montreal, and Western Bridge Division based in Vancouver, provide Canron with excellent capabilities in the design, fabrication and erection of steel for a wide variety of industrial and commercial structures.

Consistent with the high level of spending in the industrial and engineering sectors of the construction industry, both Eastern Structural and Western Bridge enjoyed a strong demand for their products throughout the year. Order bookings outstripped sales closings, leaving backlogs at year-end at record levels. While the prospects for 1975 are also extremely good, some easing in demand is anticipated.

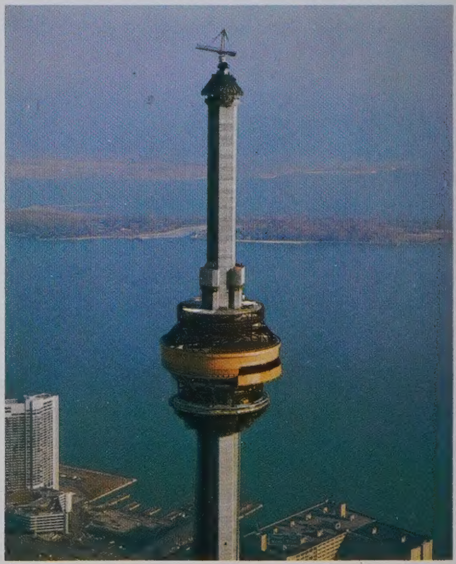
Despite material shortages and delays, and the scarcity of skilled tradesmen, all plants operated at close to capacity and turned in excellent results. The warehouse departments of both divisions were also major contributors. Larger than normal inventories put pressure on storage facilities and investment levels.

Heavy capital expenditures were incurred in the acquisition of new facilities, equipment and machinery and plant additions. Large expenditures were also made on general plant maintenance and upkeep to assure safe and efficient operating conditions.

Eastern Structural

The division had a particularly busy year. A major net expansion of fabricating capacity was accomplished through the acquisition of Standard Structural Steel Ltd., Montreal, and divestment of the small Ottawa plant. These moves will enable the division to offer better and more economical service to customers in Quebec and the Atlantic Provinces. A large plant addition was completed and successfully put into operation at Rexdale early in the year to manufacture aesthetic electric power transmission poles. These poles are much more visually pleasing than the traditional galvanized lattice towers and are gaining increasing acceptance in high density urban locations, in both Canada and United States.

Excellent progress was made during the year on two very large joint venture contracts with Frankel



The CN Tower, Toronto, prior to installation of antenna. (Structural steel for "sky pod" and antenna, fabricated and erected by Canron.)

The 72-storey First Bank Tower, Toronto. 46,000 tons of fabricated steel were used for the framed steel tube structural design.

Steel Construction Ltd. The 45,000-ton Bruce Nuclear Generating Station contract for Ontario Hydro proceeded on schedule to 85% completion and will be finished in 1975. Despite a delayed start, the 46,000-ton 72 storey First Bank Tower in Toronto will be topped off ahead of schedule in mid-March 1975. The two Canron owned Kangaroo cranes used on this job have proved their worth, enabling an exceptionally fast pace of steel erection to be maintained.

The most highly visible current contract involves the supply and erection of the structural steel for the 335 ft. antenna and upper accommodation pod of the CN Tower in Toronto. This will be the highest free-standing structure in the world at 1,815 ft. when topped off by helicopter in the Spring of 1975.

Major contracts completed in 1974 were the Coleson Cove Generating Station for the New Brunswick Electric Power Commission, a cast house for The Algoma Steel Corporation Limited at Sault Ste. Marie, and air cargo warehouse buildings at the new Mirabel Airport in Quebec.

Major new contracts obtained during the year for completion in 1975 and 1976 include an 80″ hot strip mill building for The Steel Company of Canada, Limited at Nanticoke, Ontario, a large expansion for Sidbec-Dosco Ltd. at Contrecoeur, Quebec, a new refinery for Texaco Canada Limited, also at Nanticoke, a cement plant addition for Canada Cement Lafarge Ltd. at Exshaw, Alberta, a smelter building extension for Falconbridge Nickel Mines Limited at Falconbridge, and a new jumbo jet hangar for CP Air at Toronto.

The division maintained a satisfactory participation in export sales, obtaining and completing contracts in Pakistan, Indonesia and the Cayman Islands.

Western Bridge

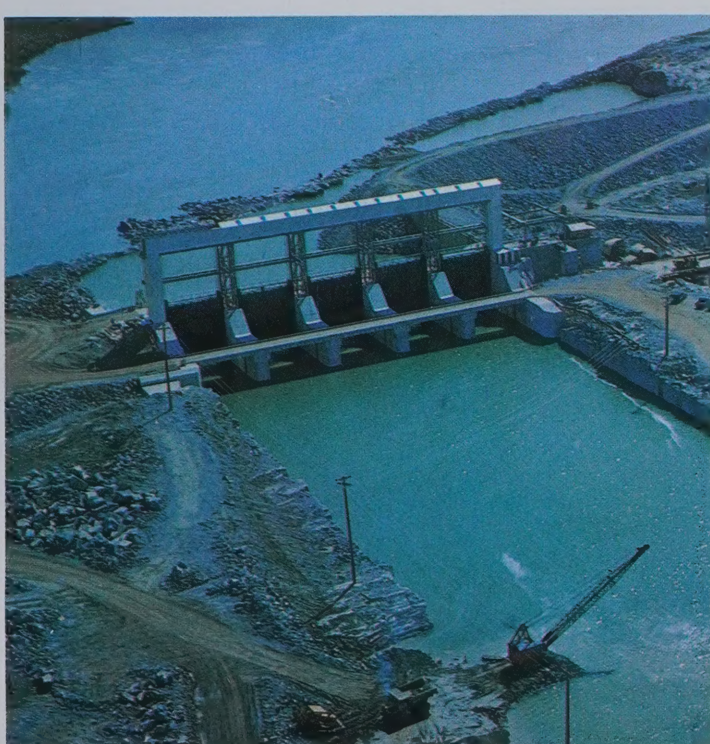
This division had a very active and rewarding year and managed to consolidate and improve on a number of its production lines.

A successful tender for redecking the Lions Gate Bridge in Vancouver enabled the division to proceed with a major revamping of its manufacturing facility with a new building for the assembly and finishing of the bridge deck panels. It was also decided to build a new permanent fabricating aisle, which was completed and in production before year end.

Major contracts successfully completed in 1974 included two powerhouse units for the Calgary Power Sundance Generating Station and the new Coliseum in Edmonton. Supply and installation of spillway gates for Manitoba Hydro's Missi-Notigi program proceeded on schedule.

Other substantial new contracts obtained during the year included two large and sophisticated container cranes for the National Harbours Board, Vancouver, structural steel for Calgary Power's Sundance Unit No. 5, a large building on the Syncrude project, and the 35-storey Vancouver Centre building.

An export order from the Canadian Commercial Corporation was also received. In co-operation with the Mechanical Division, the company will supply and install 56 level-luffing dockside cranes for the East African Harbours Corporation ports of Dar-es-Salaam, Mombassa and Tanga. Design and manufacturing are on schedule, with crane installations to begin in June, 1975 and contract completion in 1977.



Three Canron "Starporter" container cranes at the Port of Halifax.

Canron manufactured and installed spillway gates for Manitoba Hydro's Jenpeg Control and Generating Station.

Mechanical

Demand for Mechanical Division's products improved as the year progressed with equipment modernization and expansion projects in the pulp and paper and steel industries providing increased opportunities as compared with the previous year.

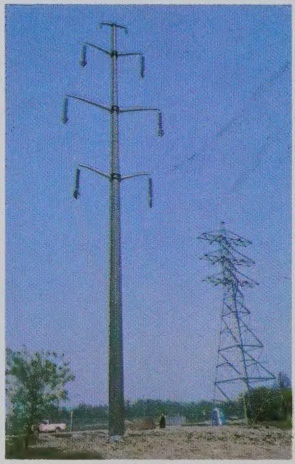
Order bookings in 1974 were of a favourable product mix and the year end backlog of work was at a record high. Performance in 1974 on some fixed price contracts booked in prior years was adversely affected by delays in material and subcontractors' deliveries, and abnormal cost escalation of both labour and material. The majority of these lower margin contracts have now been completed and the current backlog is mainly contracts on which cost escalation clauses apply.

The market for oil and gas pipeline valves has been adversely affected by continuing delays in decisions involving pipeline expansions and new projects. The division, however, is currently manufacturing the mainline and station valves for the Montreal-Sarnia oil pipeline.

Mechanical Division's participation (with Western Bridge) in the East African Harbours Corporation crane contract provided a significant volume of diversified machinery manufacturing in the latter part of the year and this work will continue for the next two years.

Several types of low margin product lines were phased out during the year and rationalization of total valve sales activity has resulted in the transfer of the pipe line valve sales function from Mechanical to Railway & Power Division.

The prospects for 1975 are for a higher level of activity and improved performance.



Canron's aesthetic transmission poles provide a space-conserving alternative to the four-posted lattice-type towers.

Cylinder mold drum, measuring 14 feet in diameter and 16 feet in length, prior to shipment by Mechanical Division from Trois-Rivières plant.

F.E. Miller, Group Vice-President, Pipe and Foundry.

Pipe and Foundry Group

Pressure Pipe

Demand for pipe for water distribution was at record levels in all market sectors. The division's sales were 60% higher than in the previous year. About half of the rise was attributable to volume and the remainder to price increases required to offset material and labour costs. A slowdown in residential construction in the last quarter reduced the demand for ductile iron pipe to more normal levels.

The division was successful in securing contracts for large diameter "Hyprescon" reinforced concrete pipe in all of its Canadian sales regions. Both the Ville d'Anjou and Rexdale "Hyprescon" plants enjoyed satisfactory volume, with the Ville d'Anjou plant under severe production pressure as a result of an eight week strike early in the year.

A new facility at Ville d'Anjou, designed to produce pipe in diameters up to 108", was completed during 1974 and the first of this pipe for the major City of Montreal contracts was delivered in the last quarter. This new installation greatly expands the capacity and diameter range for "Hyprescon" pipe and adds flexibility to the division's manufacturing capability.

Existing "Hyprescon" backlogs are significant and with tenders for new major projects in the offing, the three facilities likely will operate at very satisfactory levels throughout 1975.

While ductile iron demand was lower towards the end of the year and the availability and escalating costs of many major materials including scrap metal, pig iron and coke, created problems, all iron pipe plants operated at capacity. The acquisition of the Calgary plant, in late 1973, enabled the division to participate more fully in the growing Western market. The division looks for reduced demand in the early months of 1975, especially in the Ontario market, and a return to normal levels in later months as Government policies to stimulate residential housing take effect.

The impetus for coal production and usage in North America, resulting from the energy crisis, led to heavy demand for wear-resistant special alloy iron pipe used in ash handling. Sales of this product increased substantially from 1973, and prospects for 1975 are for

Production of 96" diameter "Hyprescon" concrete pressure pipe for City of Montreal.

further growth. Continuing efforts in product and market development are planned to exploit this opportunity.

A consortium, consisting of Canron, Interpace Canada Limited and Comstock International Ltd., was awarded a contract for a multi-million dollar water works project in Tanzania financed by the Canadian International Development Agency. Mobilization of the manufacturing machinery and equipment was completed in late 1974 and pipe production has now commenced. The contract is scheduled for completion in 1976.

Despite economic problems, especially in the areas of subdivision development, a successful year is envisaged in 1975 because of the strength of existing backlogs, prospects for wear-resistant pipe, Government commitment to revitalize the housing market and a more favourable raw material supply and cost pattern.

Warren Pipe

The plant at Phillipsburg, New Jersey, serves a wide market for cast iron water pipe in the Northeastern United States. After overcoming production and technical problems which plagued 1973 performance, the division faced two further handicaps in 1974.

Wage and price controls, which were in effect during the first four months of 1974, prevented adequate adjustment of selling prices to offset the cost of principal raw materials which were not controlled and rose to unprecedented levels.

Later in the year the drop in housing starts, which commenced earlier and was sharper than in Canada, caused bookings of new business to fall and resulted in lower shipments of pipe in the fourth quarter.

Further progress was made in the program for phasing out grey iron pipe production in favour of the superior ductile iron pipe. It is anticipated that this program will be completed by the end of 1975.

Close co-operation with state and federal agencies in reducing air and water pollution problems continues. It appears that adequate standards can be maintained without incurring further major capital costs. Operational and maintenance costs will increase, however, due to high energy usage for existing pollution abatement devices and the

Shipment of "Hyprescon" concrete pressure pipe from Toronto to Calgary.

continuing replacement of expendable components.

During the year, several important changes in organization and personnel were made, including the appointment of a new general manager, plant superintendent and additional senior sales people.

The slowdown has continued into 1975 and it is not expected that there will be significant growth in demand until action by the U.S. Government materializes to stimulate the economy and in particular the housing industry. In spite of the various problems, Warren showed an operating profit in 1974 and is in a much stronger competitive position than in prior years.

Plastic Pipe

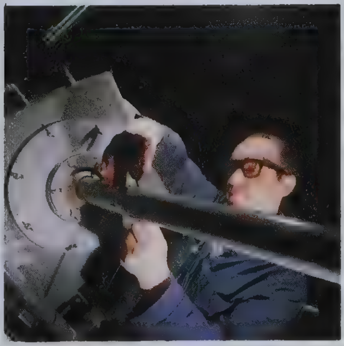
The division shared in the continuing rapid growth of the plastic pipe industry in Canada with sales 43% higher than 1973. As with many other industries, shortages and price increases in raw materials were the rule, but as a result of purchases from a wide variety of sources, manufacturing operations experienced only minor disruptions. However, the introduction of some new products was delayed by the shortage of resin.

The applications for plastic pipe continue to grow and the manufacturing technology is becoming more sophisticated. As a result, some of the vulnerability associated with limited end-use products and from ease of market entry is being reduced. As housing starts declined during the latter part of the year, sales of some types of pipe used in residential construction decreased. At the same time spending programs by utilities and industry provided strong markets for other product lines.

New equipment was added in 1974 and the three plants are well positioned to manufacture a wide range of pipe and fittings.

During the year a plant site was acquired at St. Paul l'Ermite, north-east of Montreal Island. Plans are being prepared for a new manufacturing and distribution facility and construction is expected to start in mid-1975.

A return to more normal business conditions is expected in 1975. Raw materials will be in better supply at more stable price levels. The rate of increase in sales volume will likely moderate; however, demand for the division's products should remain generally strong.



Production of plastic pipe at Rexdale plant.

Production of ductile iron pipe at Trois-Rivières plant.

Major expansion of the West Columbia plant, which will add 54,000 square feet of production capacity, was started in 1974 and will be completed in the second quarter of 1975. Plant space in Toronto previously used by Foundry Division was modified to provide efficient manufacturing facilities for ballast equalizers and crib and shoulder consolidators.

Matisa

While the current and anticipated future market demand for equipment is encouraging, Matisa continued to incur high costs associated with product development and the commissioning of new equipment. Further, the competitive position of most products manufactured in Switzerland for export has been seriously hurt by the increased value of the Swiss franc.

In Western Europe and Japan, technological demands for precisely measured and maintained track capable of supporting speeds in excess of 100 m.p.h. give Matisa a strong position because of its vast experience in this area.

The product range of B-100 tampers has been extended to include main line as well as switch tampers. Numerous modifications were made to improve quality and adapt to the various requirements of customers throughout the world. A new and improved ballast cleaner was also successfully introduced.

Heavy emphasis is being placed on cost reduction, productivity improvements and inventory control. Additional after-sales service and maintenance facilities will also be opened in strategic locations to provide faster response to customer requirements for spare parts and overhaul of equipment. It will not be an easy year because of currency problems caused by the strong Swiss franc. Positive factors include a growing market for equipment and some easing of the tight labor market in Switzerland as other industries are affected by the current economic slowdown.

Pacific Press & Shear

A high demand for hydraulic machine tools in the metal forming industries brought unprecedented sales for Pacific. New orders up to the third quarter were above expectations and at the highest level in the division's history, resulting in a record backlog with some shipments scheduled into 1976. The fourth quarter order rate tapered off as the U.S. economy

Tamper Crib and Shoulder Consolidator Model CSC.

Matisa Ballast Cleaner C311 on a railway line in Japan.

slowed. Sales volume in Canada remained strong during the year, as well as exports to South America. Pacific covers the western European market through a manufacturing licensee in Belgium.

Rising costs and shortages of steel plate and castings put pressures on operating margins and productivity with the result that margin percentages were slightly below target but ahead of 1973. Financial results, however, met budget and return on operating investment exceeded corporate objectives.

In order to provide a broader range in a high demand product line, Pacific now markets the Pressformer II in six models, from 100 to 375 ton capacity.

A new market, the plastics compression field, was entered with the design and manufacture of a large 500 ton press.

Machine tool orders in 1975 will almost certainly decline from last year's exceptionally high rate, but the large backlog, improvement in material availability and Pacific's broad product and market range should combine to make 1975 a satisfactory year.

Railway & Power

In a year of extremely good business conditions, sales of the broad range of industrial and transportation products distributed by Railway & Power were the highest on record and exceeded 1973 by 27%. Operating profit also set a new high. The backlog at year end was three times greater than the 1973 amount.

A contract for the couplers to be used on the new cars for the Montreal Metro was the largest single order ever received by the division. Major orders were also received for bearings and adaptors for railway cars, stainless valves for an oil sands plant, and weighing equipment for the production of enamelling machinery.

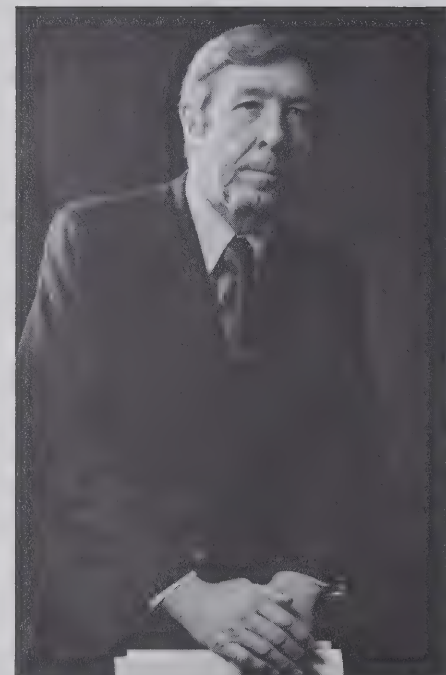
At the end of the year Railway & Power assumed responsibility for sale of oil and gas pipe line valves, a business which should boost sales volume by 20% in 1975. This product was previously sold by the Mechanical Division. Other new product lines include buffers for cranes, and hopper car door operators.

Restructuring of the marketing and product management organization continued with the establishment of a separate transportation group. The division is now able to bring a more specialized selling effort to its major transportation, industrial and technical products.

Continued high capital spending by industry and utilities and large procurement plans by railways and urban transit authorities assure good potential for 1975.

Aloyco corrosion resistant stainless steel valves, stocked and distributed by Railway & Power.

This 750 ton Pacific Hydraulic Press Brake can form thick steel plate up to 24 feet long.



P.M. Draper,
Vice-President and Secretary.

Personnel

The labour relations situation faced by the company in 1974 was by far the most difficult and costly in its history. Lengthy negotiations, the intervention of conciliators, and in three cases strikes, two during the year and one in early 1975, preceded the renewal of the 17 collective agreements that expired during the year. A pattern of uniformly high settlements emerged in the manufacturing sector with record wage increases, cost of living escalator clauses and new or improved employee benefits. The severe impact of inflation created the need for "economic adjustments" at several locations where agreements were in effect. The company, while not renegotiating existing wage rates, did implement increases outside the rate structures in several cases, and in two instances agreed to the extension of the term of an agreement with a wage rate increase. Adjustments were made for salaried employees not covered by collective agreements.

In Canada the retirement plan applicable to all employees was amended as of January 1, 1975 by increasing past service benefits by 25% (the second such increase in twelve months), by guaranteeing a minimum pension and by improving the terms of the option under which company pension may be provided for a widow. The full cost of these changes is being borne by the company. In making pension improvements, the company has not neglected employees already retired. All pensioners will receive an increase in pension of 3% for each year they have been on retirement up to December 31, 1974. The increase also applies to pensions being paid directly by the company to employees not covered by the regular pension plan. A dental care plan for non-unionized salaried employees, the cost of which is fully paid by the company, was also put into effect at the beginning of 1975. In the United States, substantial improvements were made to retirement plans at Railway and Warren Pipe Divisions.

Employment in 1974, reflecting the substantial increase in manufacturing and sales activity as well as the acquisition of Standard Structural Steel Ltd. rose by 16% to 7,649. The recent sale of the Electrical Division has lowered this figure by approximately 700. Sixty-nine percent of the current total is employed in Canada, 18% in the United States, 10% in Switzerland and the remainder widely spread around the globe. The largest concentration of Canadian employees is in Ontario, followed by Quebec and British Columbia. During the year, 61 employees retired and at year-end the number of pensioners was 595. Pension benefits are also being paid to 62 widows of employees and 63 employees are receiving disability benefits.

The company is acutely aware that a corporate environment which fosters an effective working rapport among members of management and a mutually beneficial relationship between managers and workers is essential if corporate objectives and personal goals are to be achieved. Special efforts are being directed to improvements in the form and content of corporate communications as a means of developing better understanding of the respective interests and responsibilities of the individual and the organization. Accident prevention, educational assistance and training programs maintain their prominent place in the company's personnel policies.

A two-day seminar organized by corporate staff was attended by some 60 senior managerial personnel. Its main feature was a workshop on "Organization Development", directed by consultants, in which participants developed a consensus on the identification of problems, the setting of goals and plans for action.

Senior appointments in 1974 included C.G. Matlock, General Manager, Warren Pipe Division at Phillipsburg, New Jersey, and W.C. Hamilton, Manager of Planning & Operating Controls, Pipe and Foundry Group at Toronto, Ontario.

FINANCIAL REVIEW AND STATEMENTS

W.I. Niles,
Vice-President, Finance.

Financial Review—1974

The following summary of the company's principal accounting policies, and discussion of some current accounting problems facing business managers is intended to provide a more complete understanding of the financial statements and narrative included in this section of the annual report.

The accounts presented in this report are based on the accounting concept of historical costs. Professional and business groups throughout the world are currently reviewing the adequacy of historical costs as a measure of financial results in an extended period of inflation.

While there are many views on the subject, no consensus has been reached as to the real value or the appropriate methods of presenting the impact of inflation on the results of a company's operations.

Canron is very much aware of the problems of accounting for inflation, but believes that until there is a general understanding and agreement as to the best method of presenting the effects, it is preferable to continue using the traditional basis of accounting to report on the company's operations.

An explanation of the PRINCIPLES OF CONSOLIDATION and TRANSLATION OF FOREIGN CURRENCIES is contained in the Notes to the Consolidated Financial Statements (Note 1, page 23).

SALES and PROFIT are recorded when the goods are shipped to the customer, or when a construction contract is substantially complete. The concept of completed contracts is particularly applicable to the structural steel divisions. Construction contracts frequently extend over a long period of time and this can and does result in significant fluctuations in quarterly and annual sales and profit from this source.

There has been much publicity in the last year regarding the use of Last In-First Out (LIFO) method of inventory valuation to replace the First In-First Out (FIFO) method. It is argued that LIFO presents more accurately the results of operations since it uses the most recent price of materials in determining cost of goods sold. This may be true for industries which have experienced very rapid escalation in the price of key materials, e.g. petroleum. However, while adjusting the financial results of operations, LIFO can materially understate the net worth of the company.

Many U.S. companies have switched to LIFO from FIFO. It is generally recognized that the switch does minimize the impact of inflation on income taxes and consequently improves cash flow. The change is not recognized by Canadian tax regulations, and the benefit of reduced tax and improved cash flow is not available in Canada.

Canron INVENTORIES have been consistently valued at the lower of cost or net realizable value which generally corresponds to the FIFO method in its results. Many of the company's products are sensitive to changes in costs of both material and labour with selling price adjustments following closely. As a result, the company's method of valuing inventories provides a reasonably accurate measure in the determination of the profit, and is a truer reflection of the value of the inventories included in the current net worth.

DEPRECIATION of fixed assets is based on the estimated useful life for each major classification of assets and rates range from 30% for automotive and mobile construction equipment, to 2.5% for some buildings.

INCOME TAXES are based on the earnings reported in the consolidated financial statements. Certain of the tax incentives, such as accelerated depreciation, result in timing differences for payment of taxes. Taxes arising from these differences are accounted for as DEFERRED INCOME TAX and are shown as non-current on the Statement of Financial Position. These timing differences do not reduce the final amount of taxes paid.

The company spends significant amounts annually for PRODUCT DEVELOPMENT and RESEARCH, particularly in its machinery and equipment operations. All of these expenditures are expensed as they are incurred.

Realized gains and losses on FOREIGN EXCHANGE transactions are recorded in the period in which they are incurred. Net unrealized gains are treated as a deferred item on the Statement of Financial Position. Net unrealized losses would be charged against earnings in the current year.

Sales and Net Earnings

SALES for the year reached a new record of $325.7 million for an increase of $102 million or 45.5% compared with 1973. Significant gains were registered in all product classifications. In the distribution of sales (Note 2 page 23), STRUCTURAL STEEL gained four percentage points over last year, while the MACHINERY group dropped five points. The gain for structural steel includes STANDARD STRUCTURAL STEEL LTD. MONTREAL, which was acquired effective the beginning of 1974.

It is estimated that between one-third and one-half of the sales increase resulted from additional volume of business while the remainder is mainly the effect of higher prices to offset the sharp rise in costs during the year.

DEPRECIATION charges this year were $5.6 million which is an increase of $800,000 over the previous year. The accelerated rate of asset additions and replacement during the last three years has resulted in the continuing increase in annual depreciation charges.

GROSS MARGIN this year was $55.5 million, up from $37.1 million in 1973. These amounts are 17.0% and 16.6% of the corresponding sales. The normal gains in margin associated with increased plant utilization were seriously eroded in 1974 as a consequence of the sharply increased cost of material, labour, supplies and services.

The rate of SELLING and ADMINISTRATIVE expense to sales improved in 1974 to 8.5% from 9.7% last year. A factor in the reduction was the increased sales in 1974 for the STRUCTURAL STEEL group where the rate of selling and administrative expense is generally lower than the overall rate for the company.

Sustained high rates of short term interest and substantially higher levels of borrowing throughout the year resulted in record INTEREST expense of $7.8 million for the year, against $4.1 million in 1973. Rates during 1974 ranged from 6¼% on the company's debentures issued in 1967 to a 12% U.S. prime rate (July) on short term borrowing. The effective rate of interest on all borrowing this year was 10.3%, up from 7.7% in 1973. The increased cost of $3.7 million was divided almost equally between higher rates and the higher levels of borrowing.

The effective rate of INCOME TAX for 1974 was 44.4% against 41.0% last year. The geographic origin of the company's income has a direct bearing on the tax rate because of the varying rates of the countries in

which Canron has its operations. Canadian based operations continue to be the major source of taxable income. The income from U.S. operations increased significantly this year while Swiss income was down, resulting in the higher overall effective tax rate.

The 1974 EARNINGS (before extraordinary) of $11.2 million were 71% greater than the previous year and established a new record. Earnings per share of $4.39 exceeded by a wide margin the previous high of $2.60 established in 1973.

Earnings before extraordinary item were 3.4% of sales compared with 2.9% in 1973. This is the fourth successive year of improvement in the RETURN ON SALES. Over the past ten years, the rate has averaged 2.8% and while 1974 is well above the ten year average, it is still less than the previous highs in 1965 and 1966 as well as remaining below the 4% rate which the company considers necessary to fund future operating requirements and provide an adequate long-term return to the shareholder.

RETURN ON COMMON SHAREHOLDERS' EQUITY of 19.1%, after extraordinary item, set a new high, and compares favourably with 14.1% for 1973. The previous high was 16.4% in 1965. The return has averaged 12.4% over the last ten years and although the 1974 rate is well above this average, it is important to maintain a proper perspective of the rate in relation to the historical value of the shareholders' equity in a period of rapid inflation.

Assets & Liabilities

This year for the first time the company is using the STATEMENT OF FINANCIAL POSITION instead of the more traditional balance sheet. This format was adopted in the belief that it provides a clearer and more logical picture of a company's financial position.

ACCOUNTS RECEIVABLE and INVENTORIES totalled $157 million at year end, up $58 million from the previous year. This change reflects the very substantial rise in volume, as well as price increases.

BANK ADVANCES and NOTES PAYABLE together amounted to $51.4 million compared with $34.8 million at the end of 1973. The increase of $16.6 million in short term borrowing is tied directly to the rise in business volume for 1974 and the increase in inventories and accounts receivable described in the preceding paragraph. The NOTES PAYABLE, more familiarly referred to as commercial paper, is a method of short-term borrowing which the company has used regularly for many years.

The company has substantial bank LINES OF CREDIT with its principal banks in Canada, United States and Europe. The amounts were increased during the year to maintain adequate coverage of short-term borrowing from banks and commercial paper. The company has for many years enjoyed excellent business relations with its banks and the strength of these relations was reaffirmed in dealings throughout 1974.

WORKING CAPITAL increased $21.8 million to a balance of $46.9 million at the end of 1974 with the ratio of current assets to current liabilities at 1.42 compared with 1.33 at the end of 1973.

Gross additions to FIXED ASSETS for the year were $12.4 million including $1.5 million through the acquisition of STANDARD STRUCTURAL STEEL LTD. The comparable amounts in 1973 were $8.0 million including $1.7 million for acquisitions. Fixed asset disposals in 1974 were $2.5 million mainly from the sale of the company's Electrical Division, and Ottawa structural steel plant.

LONG TERM ACCOUNTS RECEIVABLE decreased $950,000 to $2.5 million at the end of 1974. Most of this amount represents interest-bearing notes from sales of machinery and equipment on terms over one year, and generally not exceeding five years.

Reduction of the PATENTS balance by one-quarter million dollars to $1.1 million reflects the continuation of the annual amortization of the original cost.

There was considerable change during the year in the non-current portion of LONG-TERM DEBT, with the amount increasing $13.9 million to a balance of $32.3 million. Debt reduction during the year totalled $3.6 million including sinking fund and other scheduled payments as

well as redemption of all of the outstanding Series C debentures which were redeemed when a new debenture series was issued. All regular sinking fund requirements were fully satisfied through purchase of debentures on the open market.

On April 1, 1974, a new issue, Series E, 20 year-9¼% sinking fund debentures totalling $16 million was sold at $99.50 to yield 9.3%. Timing of this issue was fortuitous as it reached the market just before rates increased sharply and marketing of new issues became difficult. A second debenture issue of 4.5 million Swiss francs ($1.5 million at exchange rate prevailing at date of issue) for a term of 12 years with interest at 8¼% was sold at par on October 15, 1974, by the company's wholly owned subsidiary Matisa Matériel Industriel S.A.

On April 1, 1974, the company issued $5,000,000 of convertible PREFERRED SHARES. The issue comprised 50,000 shares of par value $100 with dividend rate of $6.00. Each share is convertible at the option of the shareholder for a period of ten years into four fully paid shares of common stock.

The conversion privilege could result in a modest potential dilution of the common shareholders' equity. This year, 133 of the preferred shares described in the preceding paragraph were converted into 532 COMMON SHARES.

DIVIDENDS declared in the year totalled $3.4 million including $3.1 million on COMMON SHARES and $286,000 on PREFERRED SHARES. The 1974 dividend on common shares represented a distribution of 31% of the net earnings. While the rate in the year was relatively low, the average payout over the ten year period amounts to 49% of the net earnings.

RETAINED EARNINGS increased by $6.8 million in 1974 raising the BOOK VALUE of each COMMON SHARE $2.72 to $21.15. The market price of the common shares closed the year at $15.00 on the Toronto and $14.00 on the Montreal stock exchanges. Trading in the company's stock during the year amounted to 347,000 shares, or a 14% turnover of the outstanding shares. This is lower than the average rate over the preceding several years, and probably reflects the general malaise of the Canadian equity markets throughout 1974.

The market price of the common shares has followed the general trend of share prices during the year. A comparative summary of prices (T.S.E.) in 1974 and 1973 is as follows:

1974

Quarter	High	Low	Close
First	$23¼	$18¼	$22
Second	23¾	20½	21⅞
Third	22⅛	15⅞	17
Fourth	17⅞	14⅛	15
Year	23¾	14⅛	15

1973

Quarter	High	Low	Close
First	$26½	$22½	$24
Second	24½	19⅝	21
Third	22	19¾	22
Fourth	23	16	18½
Year	26½	16	18½

The ELECTRICAL DIVISION was sold to Brown Boveri (Canada) Limited, effective the close of business on December 31, 1974. The purchase price was less than the net book value of the division, resulting in an extraordinary loss.

The division was sold as a going concern, with the purchaser acquiring all of the assets, and assuming all of the related liabilities. As a consequence, the year-end balances reflect the elimination of the various assets and liabilities associated with the division. The operating results of this division, including sales and related costs for the full year are included in the statements, charts, and other statistical information.

After acquiring Standard Structural Steel Ltd. early in 1974, the company sold its structural steel property and plant in Ottawa. This transaction produced an extraordinary gain.

Sale of the ELECTRICAL DIVISION and the OTTAWA structural steel plant resulted in a net EXTRAORDINARY LOSS of $890,000 or 36 cents per share. This loss is included in the Statement of Net Earnings.

Consolidated Statement of Financial Position

as at December 31, 1974 (thousands of dollars)

	1974	1973
Current Assets		
Cash	$ 1,001	$ 1,208
Accounts receivable	76,524	49,129
Inventories (note 3)	80,470	50,001
Prepaid expenses	1,156	870
	159,151	101,208
Current Liabilities		
Bank advances	41,754	34,842
Notes payable	9,640	
Accounts payable and accrued liabilities	51,497	32,648
Dividends	830	640
Income taxes—current	3,785	2,314
—deferred relating to contracts	2,770	2,835
Long-term debt maturing within one year	2,006	2,894
	112,282	76,173
Working Capital	46,869	25,035
Fixed and Other Assets		
Property, plant and equipment, at cost less accumulated depreciation (note 4)	44,300	39,773
Long-term accounts receivable	2,474	3,422
Patents—at cost, less amortization	1,072	1,325
Unamortized debenture discount	594	290
	48,440	44,810
Capital Employed	$ 95,309	$ 69,845
Represented by:		
Deferred Income Taxes	$ 4,379	$ 3,920
Long-Term Debt (note 5)	32,253	18,386
Shareholders' Equity		
Preferred shares (note 6)	6,003	1,652
Common shares (note 7)	8,552	8,539
Retained earnings	44,122	37,348
	58,677	47,539
	$ 95,309	$ 69,845

Signed on behalf of the Board

H.J. LANG, Director

M.W. MACKENZIE, Director

Consolidated Statement of Retained Earnings

for the year ended December 31, 1974 (thousands of dollars)

	1974	1973
Balance—Beginning of Year	**$37,348**	$33,364
Net earnings for the year	**10,322**	6,545
	47,670	39,909
Dividends—		
Preferred shares	**286**	71
Common shares	**3,112**	2,490
	3,398	2,561
Expenses of issue of preferred shares—1974 series	**150**	—
	3,548	2,561
Balance—End of Year	**$44,122**	$37,348

Consolidated Statement of Earnings

for the year ended December 31, 1974 (thousands of dollars)

	1974	1973
Sales (note 2)	**$325,718**	$223,857
Cost and Expenses		
Cost of sales	**270,192**	186,788
Selling and administrative	**27,553**	21,835
Interest	**7,808**	4,139
	305,553	212,762
Earnings before Income Taxes and Extraordinary Item	**20,165**	11,095
Income Taxes	**8,953**	4,550
Earnings before Extraordinary Item	**11,212**	6,545
Extraordinary Item (note 8)	**(890)**	—
Net Earnings for the Year	**$ 10,322**	$ 6,545
Earnings per Common Share		
Earnings before extraordinary item—		
Basic	**$4.39**	$2.60
Fully diluted	**$4.22**	$2.60
Net earnings for the year—		
Basic	**$4.03**	$2.60
Fully diluted	**$3.89**	$2.60

See accompanying notes on pages 23, 24 and 25

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1974 (thousands of dollars)

	1974	1973
Source of Funds		
Net earnings before extraordinary item	**$11,212**	$ 6,545
Depreciation and amortization	**5,929**	5,122
Deferred income taxes	**841**	516
Provided from operations	**17,982**	12,183
Proceeds from issue of—long-term debt	**17,100**	
—preferred shares—1974 Series	**4,850**	
Decrease (increase) in long-term accounts receivable	**948**	(35)
	40,880	12,148
Use of Funds		
Fixed assets—additions	**10,870**	6,306
—arising from acquisitions	**1,512**	1,693
—disposals	**(2,505)**	(529)
	9,877	7,470
Reduction of long-term debt	**3,573**	2,801
Redemption of preferred shares—1956 Series	**636**	57
Dividends	**3,398**	2,561
Reduction of deferred income taxes	**382**	
Loss on sale of current assets—Electrical division	**1,180**	
	19,046	12,889
Increase (Decrease) in Working Capital	**21,834**	(741)
Working Capital—Beginning of Year	**25,035**	25,776
Working Capital—End of Year	**$46,869**	$25,035

See accompanying notes on pages 23, 24 and 25

Notes to Consolidated Financial Statements

for the year ended December 31, 1974

1. Principles of Consolidation

(a) The consolidated financial statements include the accounts of all subsidiaries from the date of acquisition.

(b) Effective January 1, 1974 the company acquired all of the outstanding shares of a company which fabricates and erects structural steel for a cash consideration of $1,920,000. This has been accounted for on the basis of purchase accounting. The carrying value of the net tangible assets of the company acquired amounted to $2,233,000 and was in excess of the purchase price by $313,000. This amount has been allocated against these assets.

(c) The accounts of foreign subsidiaries have been translated from other currencies as follows:
Current assets and liabilities at rates of exchange at the balance sheet date; long-term assets and liabilities and shareholders' equity at rates of exchange applicable at the time of acquisition or when the debt was incurred; income and expenses other than depreciation and amortization at the average rates of exchange during the year.

2. Product Classification

Sales are classified as follows:

	1974	1973
Structural steel	**19%**	15%
Foundry	**14%**	14%
Machinery, electrical and railway	**25%**	30%
Pipe	**33%**	32%
Agency and warehouse	**9%**	9%
	100%	100%

3. Inventories

The inventories are valued at the lower of cost or net realizable value and comprise:

	(thousands of dollars) **1974**	1973
Finished products	**$ 22,959**	$15,785
Work-in-process	**57,535**	30,536
Raw materials and supplies	**43,874**	24,990
	124,368	71,311
Less: Progress billings	**43,898**	21,310
	$ 80,470	$50,001

4. Property, Plant and Equipment

	(thousands of dollars) **1974**			1973
	Cost	Accumulated depreciation	Net	Net
Land	**$ 4,093**	—	**$ 4,093**	$ 3,736
Buildings	**30,457**	**$15,725**	**14,732**	14,190
Machinery and equipment	**69,899**	**44,424**	**25,475**	21,847
	$104,449	**$60,149**	**$44,300**	$39,773

5. Long-term Debt

	(thousands of dollars) 1974	1973
Sinking fund debentures—		
Canron Limited		
6¼% Series C due October 15, 1977	—	$ 1,500
6¾% Series D due May 15, 1987	**$11,400**	12,600
9¼% Series E due April 1, 1994	**16,000**	—
Matisa Matériel Industriel S.A.		
5½% due December 15, 1983	**1,229**	1,260
8½% due October 15, 1986	**1,500**	—
	$30,129	$15,360
Bank loans		
Term loans due in equal annual instalments to 1975	**1,600**	3,218
Mortgages		
3% to 5¾% due at various dates to 1990	**2,530**	2,702
	$34,259	$21,280
Maturing within one year	**2,006**	2,894
Long-term	**32,253**	18,386
	$34,259	$21,280

Sinking fund requirements and long-term debt maturities in the next five years are: 1975—$2,006; 1976—$1,012; 1977—$1,670; 1978—$1,650; 1979—$1,559. The bonds repurchased to date in excess of the cumulative sinking fund requirements at December 31, 1974 amounting to $600,000 have been applied against the 1975 requirements.

6. Preferred Shares

	(thousands of dollars) 1974	1973
Authorized—		
100,000 preferred shares of the par value of $100 each, all of which have been issued		
Outstanding and fully paid—		
10,161 4¼% cumulative redeemable preferred shares—1956 Series	**$ 1,016**	$ 1,652
49,867 $6.00 cumulative convertible redeemable preferred shares—1974 series	**4,987**	
	$6,003	$ 1,652

During the year the company issued 50,000 preferred shares—1974 Series for a cash consideration of $5,000,000. At the option of the holder and until April 1, 1984, each preferred share—1974 Series is convertible into four fully paid common shares. The holders of 133 preferred shares have exercised this conversion privilege.

In 1974 a total of 6,358 preferred shares—1956 Series with a par value of $635,800 were redeemed. The retained earnings include an amount of $3,259,400 which has been set aside in accordance with the requirements of the Canada Corporations Act and equal to the par value of the preferred shares redeemed to date.

7. Common Shares

	(thousands of dollars) 1974	1973
Authorized— 6,000,000 common shares of no par value		
Issued and fully paid— 2,490,154 common shares	**$ 8,552**	$ 8,539

532 common shares were issued upon exercise of the conversion privilege attached to the preferred shares—1974 Series. As at December 31, 1974 there were 199,468 common shares reserved for issue upon the exercise of this conversion privilege.

8. Extraordinary Item

The extraordinary item of $890,000 arose from the sale of various plants and comprises a net loss of $2,615,000 less income tax reductions of $1,223,000 and non-taxable gains of $502,000.

9. Pension Plans

Under the pension plans of the company and certain subsidiaries there existed an unfunded past service pension liability estimated at $1,900,000. This liability is being funded by annual instalments over 25 years.

10. Statutory Information

	(thousands of dollars) 1974	1973
The following items are included in the consolidated statement of earnings:		
Depreciation	**$5,640**	$4,838
Amortization of—patents	**$ 253**	$ 251
—debenture discount	**$ 36**	$ 33
Interest on long-term debt	**$2,553**	$1,636
Remuneration of directors	**$ 48**	$ 29
Remuneration of officers	**$ 928**	$ 853
Number of directors and officers:		
Directors	**14**	14
Officers	**11**	11
Officers who are directors	**3**	3

Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of Canron Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chartered Accountants

COOPERS & LYBRAND

Feb. 21, 1975.

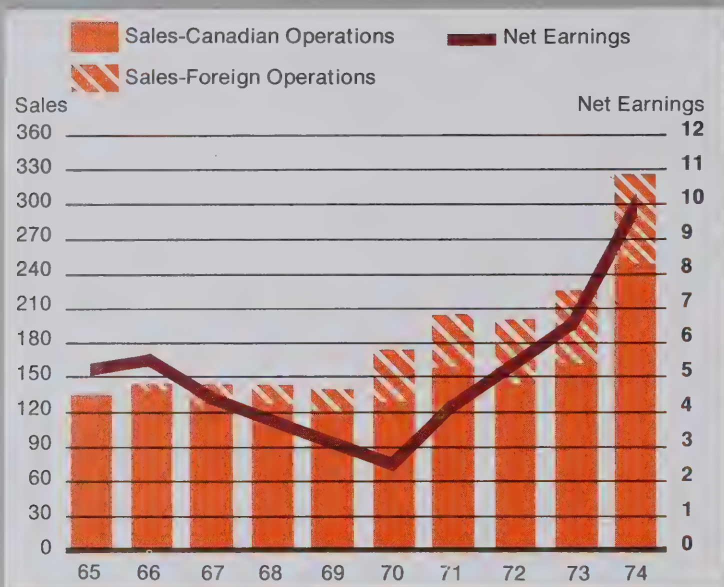
Ten-Year Review

(in thousands of dollars—except per share statistics)

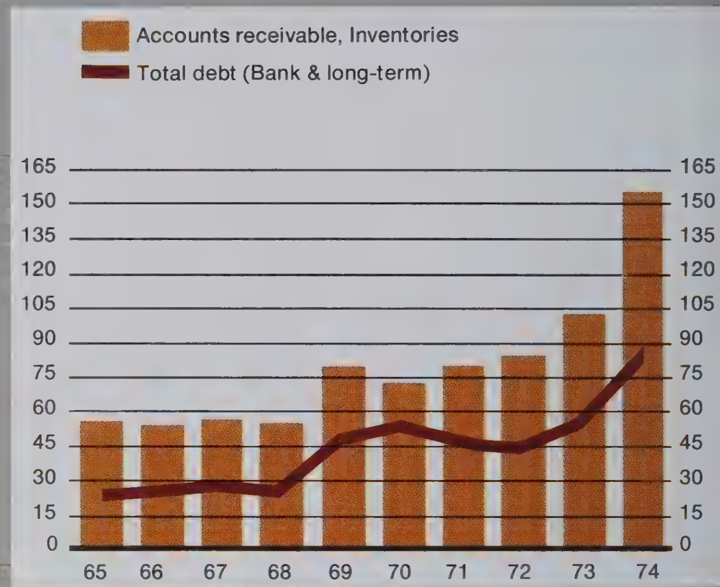
			Net Earnings (before extraordinary)			Per Common Share			
Year	Sales	Income Taxes	Amount	as % of Sales	Net Earnings as % of Common Shareholders Equity	Book Value	Earnings (before extra-ordinary)	Extra-ordinary Item	Dividends
1974	**$325,718**	**$8,953**	**$11,212**	**3.4%**	**19.1%**	**$21.15**	**$4.39**	**$(0.36)**	**$1.20**
1973	223,857	4,550	6,545	2.9	14.1	18.43	2.60	—	1.00
1972	199,420	4,040	5,381	2.7	12.6	16.83	2.13	(0.01)	1.00
1971	205,248	3,184	4,220	2.1	10.6	15.71	1.66	—	1.00
1970	176,698	2,133	2,713	1.5	6.5	15.05	1.05	(0.07)	1.00
1969	138,088	1,985	2,510	1.8	7.8	15.07	0.97	0.20	1.00
1968	141,042	3,190	3,703	2.6	9.7	14.89	1.45	—	1.00
1967	142.011	4,230	4,402	3.1	11.8	14.47	1.72	—	1.00
1966	142,015	5,175	5,428	3.8	15.4	13.79	2.13	—	1.00
1965	133,867	5,830	5,183	3.9	16.4	12.58	2.06	—	0.58

Year	Capital Expen- ditures	Depre- ciation	Working Capital	Accounts Receivable & Inventories	Bank Advances & Notes Payable	Long Term Debt	Number of Shareholders	Number of Employees
1974	**$10,870**	**$5,640**	**$46,869**	**$156,994**	**$51,394**	**$34,259**	**4,044**	**7,649**
1973	6,306	4,838	25,035	99,130	34,842	21,280	4,141	6,573
1972	4,762	4,511	25,776	79,433	20,145	24,733	4,301	5,655
1971	2,877	4,371	24,464	76,108	19,772	27,405	4,687	6,114
1970	2,767	4,134	23,795	80,897	23,148	30,195	4,847	6,655
1969	2,801	3,217	24,307	76,119	21,111	25,249	4,926	5,197
1968	2,601	3,324	29,643	54,320	3,406	22,811	5,072	5,181
1967	2,109	4,108	31,790	56,231	4,711	23,459	5,318	5,224
1966	9,668	3,637	12,823	52,744	19,679	4,945	5,329	5,607
1965	6,096	3,292	16,288	54,379	16,819	5,592	4,430	5,261

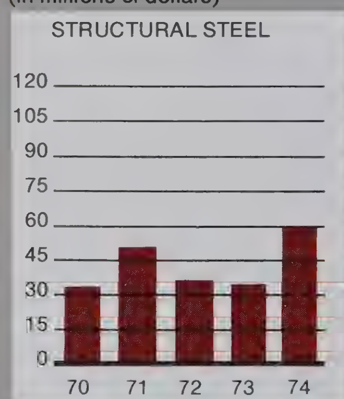
Sales and net earnings
(in millions of dollars)

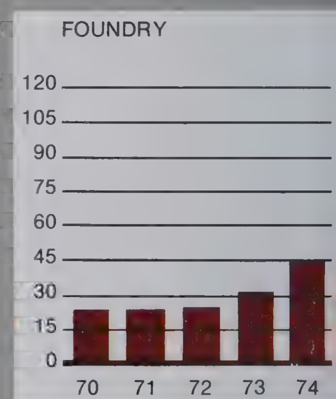


Accounts receivable, inventories and total debt
(in millions of dollars)

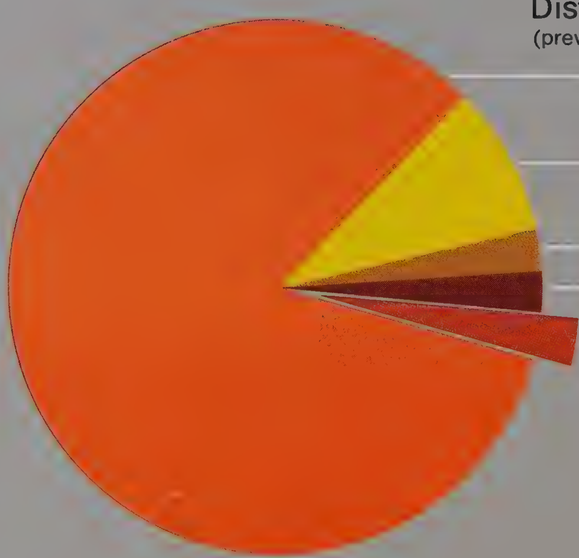


Sales by product classification
(in millions of dollars)





Distribution of 1974 Sales Dollar
(previous year in brackets)



83.0¢ Cost of Sales (83.4¢)

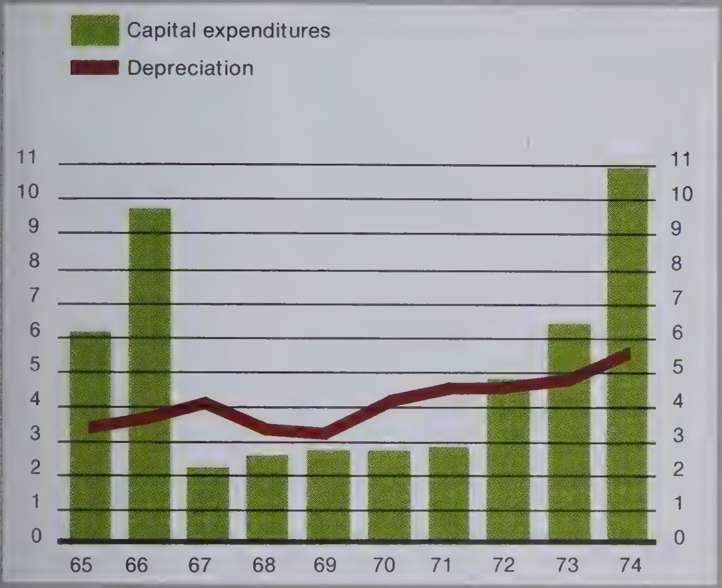
8.7¢ Selling, Administration & Other Expense (9.7¢)

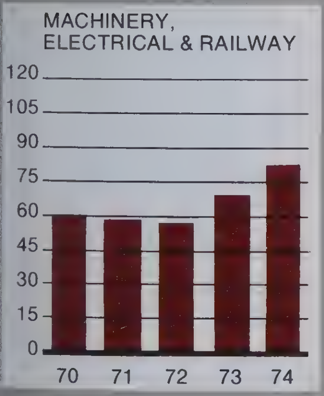
2.4¢ Interest Expense (2¢)

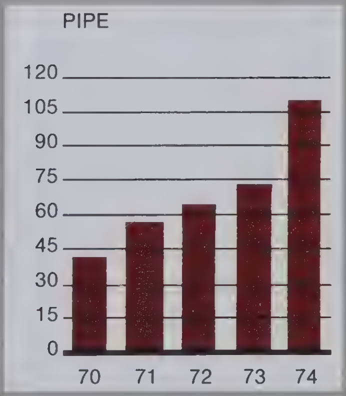
2.7¢ Income Taxes (2¢)

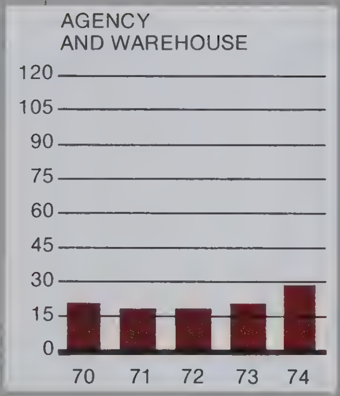
3.2¢ Net Earnings (2.9¢)
1¢ Cash Dividends (1.1¢)
2.2¢ Retained Earnings (1.8¢)

Capital expenditures and depreciation
(in millions of dollars)

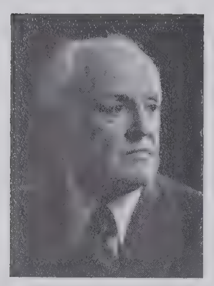








Directors and Officers


W.J. Bennett


S.R. Blair


P. Côté

Directors

W.J. BENNETT □
President, Iron Ore Company of Canada, Montreal

S.R. BLAIR
President and Chief Executive Officer, The Alberta Gas Trunk Line Company Limited, Calgary

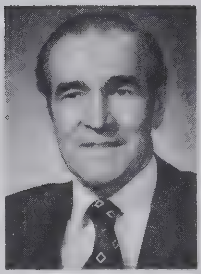
P. CÔTÉ
President, Laiterie Laval Limitée, Quebec

J.S. DINNICK
Chairman of the Board, McLeod, Young, Weir & Company Limited, Toronto

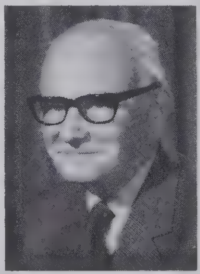
J.C. GILMER
President and Chief Executive Officer, Canadian Pacific Air Lines, Limited, Vancouver

C.L. GUNDY
Chairman, Wood Gundy Limited, Toronto

J.D. HOULDING*□
President and Chief Executive Officer, Polar Gas Project, Toronto


J.S. Dinnick


J.C. Gilmer


C.L. Gundy


J.D. Houlding

Honorary Directors

Ross Clarkson

A.D. McCall

H.E. McKeen


J.G. Kirkpatrick


H.J. Lang


M.W. MacKenzie


C.S. Malone

J.G. KIRKPATRICK, Q.C.*□
Partner, Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick, Montreal

H.J. LANG*
Chairman and Chief Executive Officer, Canron Limited, Montreal

M.W. MACKENZIE*□
Vice-Chairman, Canron Limited, Montreal

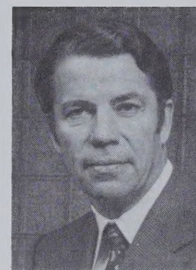
C.S. MALONE*
President and Chief Operating Officer, Canron Limited, Montreal

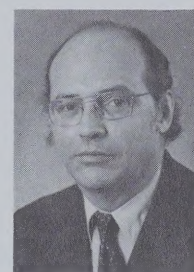
P.L. PARÉ
President and Chief Executive Officer, Imasco Limited, Montreal

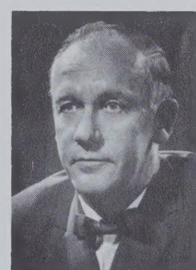
C. PERRAULT □
President, Le Conseil du Patronat du Québec, Montreal

F.H. SHERMAN
President and Chief Executive Officer, Dominion Foundries and Steel Limited, Hamilton

*Member, Executive Committee
□Member, Audit Committee


P.L. Paré


C. Perrault


F. H. Sherman

Officers

H.J. LANG
Chairman and Chief Executive Officer

M.W. MACKENZIE
Vice-Chairman

C.S. MALONE
President and Chief Operating Officer

P.M. DRAPER
Vice-President and Secretary

W.I. NILES
Vice-President, Finance

W.S. CULLENS
Group Vice-President

F.E. MILLER
Group Vice-President

C.M. THOMSON
Group Vice-President

I.C. FERRIER
Vice-President

M.D. CALDER
Controller

W.D. MONCUR
Treasurer

A.Y. MITCHELL
Assistant Secretary

Divisions, Subsidiaries and Products

Structural and Mechanical Group

EASTERN STRUCTURAL DIVISION N. Dickinson, General Manager Main Office: 100 Disco Road, Rexdale, Ontario M9W 1M1 Offices: Montreal, Rexdale Plants: Montreal, Rexdale WESTERN BRIDGE DIVISION B.E. Jackson, General Manager Main Office: 145 West First Avenue Vancouver, B.C. V5Y 1A2 Plant: Vancouver	Structural Steel for Buildings & Bridges (Fabrication & erection) Steel Joists Warehouse Steel Transmission Poles and Towers Hydraulic Gates Bulk Loading Terminals	Container Cranes Gantry Cranes Conveyor Systems Microwave Structures Tanks and Plate Work Shipping Containers Galvanizing
MECHANICAL DIVISION S.R. Palmer, General Manager Main Office: 100 Disco Road, Rexdale, Ontario M9W 1M1 Offices: Ville d'Anjou, Rexdale, Calgary, Edmonton, Vancouver Plant: Trois-Rivières	General Equipment Pulp & Paper Equipment	Rolling Mill Equipment

Pipe and Foundry Group

PRESSURE PIPE DIVISION J.G. Dunlop, General Manager Main Office: 2120 Sherbrooke St. E. Montreal, Québec H2K 1C3 Offices: Darmouth, Ville D'Anjou, Montreal, Trois-Rivières, Quebec City, Ottawa, Toronto, Winnipeg, Edmonton, Calgary, Vancouver Plants: Ville d'Anjou, Trois-Rivières, Toronto, Rexdale, Calgary	Ductile Iron Pipe Concrete Pressure Pipe	Fittings Hydrants
WARREN PIPE DIVISION C.G. Matlock, General Manager Main Office: 183 Sitgreaves St., Phillipsburg, N.J. 08865 Offices: Phillipsburg, Boston Plant: Phillipsburg	Grey Iron Pipe Ductile Iron Pipe Soil Pipe	Fittings
CANRON PLASTICS LIMITED R.A. St. Louis, General Manager Main Office: 9851 Ray Lawson Blvd., Ville d'Anjou, Quebec H1J 1L6 Offices: Ville d'Anjou, Rexdale Plants: Berthierville, St. Jacques, Rexdale	Plastic Pipe (PVC, ABS and polyethylene)	Fittings
FOUNDRY DIVISION J.M. Gandy, General Manager Main Office: 169 Eastern Avenue Toronto, Ontario M5A 1H7 Offices: Toronto, Hamilton, New Liskeard Plants: Hamilton (2), St. Thomas, Toronto, New Liskeard	Ingot Moulds Grey Iron Castings Brakeshoes Grinding Billets Mill Liners	Municipal Castings Alloy Iron Castings Mine Cars, Cages & Skips

Machinery and Distribution Group

MATISA MATERIEL INDUSTRIEL S.A.
R. Schwarz, General Manager
Main Office: Arc-en-Ciel 2, Crissier, Switzerland
Offices: Crissier, Switzerland; Paris, France; Bielefeld, West Germany; Palomba, Italy; Bedford, England
Plants: Crissier, Renens, Switzerland; Palomba, Italy

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Track Liners & Switches
Switch Tampers
Spike Pullers & Drivers
Rail Bolters, Drills & Lubricators
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Ballast Cleaners, Regulators
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Track Laying & Lifting Equipment.

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Track Recording Cars
Push & Motor Cars
Brush Cutters
Rail Saws

TAMPER
J.K. Stewart, President
Main Office: 2401 Edmund Road West Columbia, S.C. 29169
Offices: West Columbia, Toronto, Lachine, Melbourne
Plants: Columbia, Toronto, Lachine, Melbourne

PACIFIC PRESS & SHEAR COMPANY
E.W. Pearson, President
Main Office: 421 Pendleton Way, Oakland, California 94621
Offices: Mount Carmel, Ill.,
Plant: Mount Carmel

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Hydraulic Shears
Hydraulic Presses
Hydraulic Straightside Presses
Pressformers
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Special Hydraulic Equipment
Hydraulic Control Valves and Accessories

RAILWAY & POWER ENGINEERING CORPORATION, LIMITED
R.J. Conrath, Vice-President and General Manager
Main Office: 3745 St. James St. West Montreal, Quebec H4C 1H4
Offices: New Glasgow, Montreal, Trois-Rivieres, Ottawa, Toronto, Hamilton, Sault Ste. Marie, Winnipeg, Edmonton, Calgary, Vancouver
Warehouses: New Glasgow, Montreal, Toronto, Hamilton, Winnipeg, Edmonton, Vancouver

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Plastics
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